



WEEKLY OUTLOOK

A joint publication of the Department of Agricultural Economics, College of Agriculture, Purdue University, West Lafayette, Indiana, and the Department of Agricultural and Consumer Economics, College of Agricultural, Consumer and Environmental Sciences, University of Illinois at Urbana-Champaign.

MAY 15, 2000

WILL CROP SURPLUS CONTINUE?

The USDA's May *Crop Production*, *World Agricultural Production*, and *World Agricultural Supply and Demand Estimates* reports provided a lot of numbers for the market to chew on. For the current wheat market year the USDA increased the projection of U.S. domestic consumption by 5 million bushels and lowered the projection of ending stocks (June 1) by the same amount. Changes in world supply and demand estimates were also very small.

For the 2000-01 marketing year, the USDA projected a 1.1 percent reduction in world wheat production, reflecting expectations for a larger European crop and a drop in production in Australia, Canada, and especially China. World stocks are expected to drop from 126 million tons at the end of this year to 109.4 million by the end of the next marketing year. Stocks have been smaller only once in the past 22 years (1995-96). In the U.S., the 2000 crop is projected at 2.239 billion bushels, 63 million less than produced last year. Combined with a 50 million bushels increase in projected exports, the smaller crop is expected to result in a 100 million bushel reduction in year ending stocks. The 2000-01 seasons average price is projected in a range of \$2.40 to \$2.90, compared to \$2.50 for the current year.

For the current U.S. corn marketing year, the USDA trimmed projected exports by 25 million bushels and increased the projection of ending stocks by an equal amount. Projections for the 2000-01 marketing year were for small increases in all three major categories of consumption (feed, food and industrial, and exports). Total use is projected at 9.55 billion bushels, 95 million above the projection for the current year.

The most interest, however, was in the projection of potential corn crop size in 2000. As expected, that crop size was based on March planting intentions and a normal relationship between planted acreage and acreage harvested for grain. The yield projection of 137 bushels per acre was a mild surprise. That projection is about 2 bushels above the long term linear trend yield and was justified by the perceived positive impacts of an early planting. The projection assumes a normal growing season, basically ignoring current moisture conditions and the government agency forecasts of a warmer and possibly drier than normal growing season. The projection of an above-trend yield results in a crop projection of 9.74 billion bushels. The projection of year ending stocks is at 1.984 billion bushels, an increase of 200 million bushels from the projection of the current year. The seasons average price is projected in a range of \$1.60 to \$2.00.

On a world basis, revised projections included a slightly larger corn production estimate for the current year. As a result, the projection of ending stocks was increased from 108.6 to 112.9 million tons. The USDA sees a slightly larger world corn crop in 2000-01 due to increases in U.S., Argentine, and European production being only partially offset by a smaller Chinese crop. Stocks at the end of the 2000-01 marketing year are expected to grow to 119 million tons. Stocks of all coarse grains are projected to increase from 151.7 million tons at the end of the current marketing year to 156.9 million tons next year.

The projection of soybean exports during the current year was increased by 10 million bushels, while the projection of the domestic crush was lowered 5 million bushels. The Brazilian crop estimate was increased by about 18 million bushels so that the South American crop, at 2.003 billion bushels, is expected to be slightly larger than last year's harvest. World soybean consumption, however, is running well ahead of last years pace so that world ending stocks are expected to decline to 747 million bushels, down from 897 million at the beginning of the year.

For the 2000-01 U.S. soybean marketing year, the USDA expects consumption to increase by 69 million bushels, including a 35 million bushel increase in domestic crush and a 30 million bushel increase in exports. With an average yield of 40 bushels per acre and a 1.4 million increase in harvested acreage, however, the USDA sees production growing by 312 million bushels. Stocks are expected to grow from 300 million bushels at the end of the current marketing year to 495 million by the end of the 2000-01 marketing year. The seasons average price will be near \$4.65 this year and is projected in a range of \$4.00 to \$5.00 for next year.

In summary, the USDA reports say that with normal weather crop supplies will remain large and prices low. That is obviously not new information. The market will continue to trade weather and crop prospects. The corn and soybean crops have been planted early and the near term forecast is for near ideal weather in the midwest. Prices will have difficulty moving higher if that forecast persists. Deficit soil moisture conditions in some key growing areas and the persistent forecast of above normal temperatures for the growing season suggest that crop size could be uncertain well into the season.

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